

President's Council on Financial Capability for Young Americans
Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

Innovation & Technology Working Group

The Innovation & Technology Working Group (ITWG) seeks to develop frameworks for responsible innovation in support of financial, educational, and other transformational technologies that expand financial access and capability for young Americans, especially in underserved communities.

Since the last meeting, the ITWG met and agreed upon the following framework for linking technology to the other three PACFCYA working groups.

<i>Group</i>	<i>Core Need</i>	<i>Challenge</i>	<i>Solutions</i>
K-12	Training in the Language of Money	Adoption; Funding; Scale	Teacher training demonstration
Higher Education	Skill in making good choices	Adoption; Engagement; Scale	decision making tool
Cities & Communities	Day-to-day money management; future financial health	Lack of access; impaired credit; Scale	High quality transaction accounts

I. Innovation & Technology to Support K-12 Educators

Background

Technology can help make the nation's 3.7 million classroom teachers more comfortable with teaching financial capability. Doing so will not only benefit the country's nearly 55 million students, enhance the U.S. economy and make us more globally competitive, it will help our teachers learn the concepts and use them to manage their personal lives. Training our teachers to be financially capable is an investment in our nation's economic prosperity.

Unfortunately, many teachers feel ill-equipped to teach financial capability and integrate it into core subjects, like Social Studies and English, because they are not familiar with financial concepts. Evidence shows that, while over 85 percent of teachers believe personal finance concepts are worth teaching, less than 20 percent are actually comfortable teaching them. We must do more to empower teachers to be financially capable to prepare our students for the real world. The Organization for Economic Cooperation & Development's recent PISA study illuminates the urgency of the matter. The United States was once one of the world's leaders in math skills and knowledge. Sadly, our country presently ranks 26th in the world.

There are a number of financial literacy curricula that provide professional development opportunities, but they may not be reaching all of the teachers that could benefit. Additionally, they may not be focused on integrating financial concepts into other classes. To address this concern, the Council will recommend a demonstration project that would use technology to build a tool that engages teachers and provides incentives to build their own financial knowledge, and better prepare them to integrate financial topics into their classrooms.

Draft Recommendation:

Recognizing that improving the financial capability of K-12 teachers is likely to enhance the proficiency of students in the language of finance, the President's Council proposes a demonstration to develop a technology-based teacher training tool. The tool shall seek to provide incentives for teachers to build their own financial capability and their ability to integrate financial topics into the classroom.

II. Innovation & Technology Support for Current and Prospective University Students

Background

The Innovation & Technology Working Group is working with the Higher Education Working Group to develop an online decision making tool that combines data analytics and peer mentoring to help students make better financial decisions about their postsecondary education. Given the growing role of technology in students' lives, technology can play an important role in helping students and their families tackle the challenge of planning and saving for a college degree, understanding financing options, and making good choices about post-secondary education.

Research shows that attaining a postsecondary degree is an important road to greater lifetime income and economic stability. While the return to additional education is generally strong, many are not obtaining those returns, particularly among low-and moderate-income students. Helping students find programs and degrees that put them on track to meet their goals will result in increased value of the investment in education or training. The benefit of these better choices accrues to students, their families and communities, the institutions, and ultimately, to our whole economy. To face this challenge, leaders from a variety of sectors—higher education, business, government, technology, philanthropy, and non-profit—creating better pathways to enable more students to explore the public investment of a postsecondary degree, and effectively build savings for postsecondary education, make sound choices about their education, and effectively manage debt, while building financial independence and autonomy.

The ITWG will work with Post-Secondary Education Working group to develop a blueprint for pilots that will use the power of technology and one-on-one attention to help students and families make better decisions about postsecondary education and how to pay for it. While pilots may vary, the groups expect that they will consider such topics as:

- Selecting the right degree as it relates to the student's life goals;
- Saving for and financing postsecondary education;
- Budgeting and making wise decisions while pursuing a degree; and
- Choosing the right repayment plans.

In developing a blueprint, the group will seek to understand the answers to such critical questions as:

- a. What technology are students already leveraging that financial educators, college guidance counselors, parents, and students can tap into? Rather than guiding students to new technology, can we identify pre-existing technology (apps, websites, tools, etc.) that students are already using and infuse them with resources and healthy "nudges?"

President's Council on Financial Capability for Young Americans

Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

- b. Given that parents and students often use technology differently, is there a way in which they can use the same product/platform to make shared decisions?
- c. Behavioral economics suggests that the most effective interventions happen at the moment of decision. What are the crucial moments of decision for college-bound youth, and how can we reach students at these moments?
- d. Is it enough to leverage technology to gather and provide resources, or does the most effective technology also provide "nudges" to incite behavior change? What might these nudges be?
- e. What short-term incentives can we provide to encourage students to use technological tools for financial empowerment in cases where financial rewards are often many years down the road? Can we provide short-term gratification for long-term rewards?
- f. Can technology help bring abstract and large-scale challenges, such as the challenge of saving \$50,000 for college, to a digestible, day-to-day level? What tools can we provide to help students make small, day-to-day decisions that will impact their long-term goals?
- g. How crucial is the mobile component of technology? Given that many low-income households use mobile phones as their sole connection to the Internet, must our solutions be mobile-friendly in order to serve those who need it most?
- h. What are the most effective solutions currently on the market, and what are their weaknesses? How can we improve upon these pre-existing solutions?
- i. Is it enough to educate students on how to pay college tuition alone, or is there a need to provide comprehensive personal finance skills as well? How important is mastering day-to-day personal finance as one saves for higher education, and how can technology help us achieve both goals?
- j. Why have companies been slow to create financial products for the college market? What barriers do they face?

III. Innovation & Technology to Support Cities & Communities

Background

Cities and communities, through innovative partnerships such as the Cities of Financial Empowerment Fund *Summer Jobs Connect* program have successfully linked work opportunities to financial education. Through the President's Council, the Innovation & Technology Working Group is working to support the Cities & Communities Working Group to further leverage youth employment for financial capability.

According to FDIC, 24 million US households were underbanked in 2013, consisting of an estimated 68 million people. Young Americans constitute a significant percentage of this underserved population. When youth are underbanked, they tend to rely upon alternative financial services such as nonbank check cashing.

High quality demand deposit and prepaid accounts are a great way to leverage municipal summer jobs programs for youth financial inclusion. These high quality transactions accounts can help underbanked youth build assets, while reducing reliance upon alternative financial services. The 2013 National Survey of Unbanked and Underbanked Households found that, relative to other

President's Council on Financial Capability for Young Americans

Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

unbanked households, unbanked prepaid card users may be particularly receptive to entering or rejoining the banking system.

The Consumer Financial Protection Bureau (CFPB) and the Financial Literacy and Education Commission (FLEC) convened a roundtable to explore opportunities for communities to add financial knowledge, skills, and access to financial products to youth employment programs. In a report about the convening, the CFPB found that many cities and communities lack capacity to effectively train youth employees in practical money skills. CFPB also found that many financial institutions have been hesitant to open accounts for youth because of the temporary nature of some employment programs, while others are concerned about account ownership for consumers under age 18.

A significant percentage of young people employed by municipal governments are reliant upon nonbank alternative financial services causing a fall in take-home earnings. Enrolling unbanked youth in traditional direct deposit accounts can be challenging because youth employment programs tend to be short-term and small-scale, creating administrative challenges. Moreover, unbanked youth are more likely to have limited or impaired credit.

Innovative financial services such as workplace and college account programs can help youth establish banking relationships and build financial capability. In cases where impaired credit puts traditional bank accounts out of reach, high quality prepaid accounts enable access to financial services.

Draft Recommendations

Expanding access to high quality transaction accounts requires public policies that promote private sector innovation. The PACFCYA Innovation & Technology Working Group calls upon the President to:

- Expand financial access by encouraging cities and communities to disburse wages electronically via modern, low cost, financial instruments (e.g. electronic demand deposit or prepaid card accounts) thereby facilitating the inclusion of financially underserved youth and other underbanked employees
- Promote greater awareness and adoption of real-time electronic payments solutions that meet the needs of young Americans with modern functionalities and tools to help these consumers better manage, move and control their spending.
- Encourage private sector partnership with state and local governments to design sustainable and inclusive solutions leveraging identified best practices, including:
 - a. Tailoring financial education to meet the needs of young people
 - b. Selecting financial products by weighing the costs, functionalities and risks of various options
 - c. Developing programs with input and engagement with young people
 - d. Integrating partnerships with businesses, nonprofits, government agencies, financial institutions, and young people

President's Council on Financial Capability for Young Americans
Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

Cities and Communities Working Group

Activities undertaken By the Cities and Communities Working Group

The Cities and Communities Working Group first established a set of criteria to guide the development of the recommendations. The CCWG determined that all recommendations of this working group must:

- be directly connected to federal policy/programs in order to drive real change;
- be specifically linked to opportunities that harness the unique ability of local and tribal governments to foster financial capability through service integration;
- be actionable, realistic and based on proven approaches; and
- positively impact large numbers of young people.

In order to determine the correct set of recommendations to bring to the Council, the CCWG has engaged in the following activities to date:

1. Members and staff of the CCWG met in Los Angeles in July for a full day of discussions with the Cities for Financial Empowerment Coalition. CCWG members met with Coalition members and field leaders to discuss a variety of relevant topics and obtain input on priorities and recommendations. Attendees also attended an event hosted by Los Angeles Mayor Eric Garcetti at which CCWG Chair José Cisneros spoke publicly about the work of the Council. As a result, the Cities for Financial Empowerment (CFE) Policy Committee submitted a letter to the Working Group outlining the CFE Coalition's recommendations for PACFCYA priorities.
2. The work of the President's Council on Financial Capability for Young Americans was discussed at the National Congress of American Indians Annual Convention and Marketplace in October 2014. CCWG members heard feedback and recommendations from conference attendees and FINRA presented results from their "Financial Literacy among American Indians and Alaska Natives" research study.
3. CCWG members met with the Department of Labor Employment and Training Administration to discuss embedding financial capability strategies in youth training and employment programs.
4. CCWG Members met with CFED to discuss policy ideas to support Child Savings Accounts.
5. CCWG Members met with the Consumer Financial Protection Bureau Office of Financial empowerment staff to discuss CCWG recommendations.
6. CCWG members contributed recommendations and information to the CCWG Chair to inform the creation of the CCWG Report.
7. CCWG members have met once in person and twice by phone since the October President's Council meeting.
8. A draft report of CCWG recommendations was completed on December 30th, 2014 and is currently being reviewed and edited by CCWG members. Highlights from this document will be presented at the March 3rd meeting.
9. Louisa Quittman and Leigh Phillips from the SF OFE are meeting with federal agencies named in the recommendations to solicit feedback. Relevant community organizations and national partners will also be asked to review the recommendations. A more complete draft will be available for review and comment from PACFCYA working groups by March 3rd. We would appreciate your feedback and ideas.

President's Council on Financial Capability for Young Americans
Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

10. The CCWG requests more information from the Chair and Treasury on the process for developing the final full set of recommendations/final report from the Council.

Draft Recommendations from the Cities and Communities Working Group

The CCWG identified four core priorities within which to focus our recommendations. Each priority contains specific and actionable recommendations that are currently being vetted by federal agencies, partners and CCWG members.

Integrate Financial Capability Practices into Youth Training and Employment Programs.

These programs – largely supported by the Department of Labor and implemented by local government agencies - often provide a young person with their very first job. A first job means a first paycheck. However, 51% of young people enrolled in summer youth employment programs in five major cities reported beginning their summer jobs with no access to a checking account. Government funded youth training and employment programs should serve as a pathway to financial security, beginning with access to a safe and affordable checking account or prepaid card and wage payment via direct deposit. Financial education that is relevant and timely should be fully integrated into all government funded workforce development and training programs.

Ensure all students and families have the opportunity to save for post-secondary education by supporting and promoting Child Savings Account (CSA) policy and programs across the United States. Research shows that families that have school-designated savings are more likely to have children that will graduate high school, enroll in college and graduate from college, or other post secondary education, even when the dollar amounts saved are relatively small. Previous studies also suggest that promoting saving for education not only has a positive effect on high school graduation and college enrollment rates for LMI students but also improves their family's financial capability and promotes lifelong asset building. However, too many families lack easy and direct access to savings accounts or to incentives that encourage lower-income families to save.

Protect vulnerable young people from financial abuses such as identity theft and credit abuse. In 2011 Congress passed legislation that requires Child Welfare Agencies to pull an annual credit report for children in the foster care system aged 14-18 and to help foster care youth repair their credit. However, many Child Welfare Agencies are struggling to access this information and to assist young people who have suffered identity theft or credit abuse.

Identify opportunities for financial capability best practices to be offered at community hubs, such as libraries and community colleges, and develop the tools and resources necessary to disseminate new approaches and practices. For example, one natural, and often central, gathering place in communities nationwide is the local library. Local, state and community-college libraries have an important role to play in addressing the growing need and demand for unbiased financial capability content and programs. Community Colleges also provide a unique opportunity to support low-income students with financial education and counseling services to make sure more young people do not drop out of post-secondary education due to financial insecurity

Postsecondary Education Working Group

Working Group Issues or Principles

The Working Group focuses on helping young people, especially low-income and minority youth, develop the financial knowledge and skills and leverage the tools and resources to make informed decisions about postsecondary education, the workforce, and economic opportunities so that they may lead financially independent lives.

Recommendation Summary

Based on pre-existing research and creative programs, like the National Endowment for Financial Education's CashCourse program (which is being rolled out across the California Community College system) and several discussions and convenings among the Working Group, other Council Members, and leaders from a variety of sectors—higher education, business, government, technology, philanthropy, and non-profit sectors—the Working Group recommends developing and launching one or more pilots in targeted regions across the country that use the postsecondary decision making moment to provide young people with mentoring, information, and decision making tools. Elements of such a pilot might include:

- Individualized attention (in-person and virtually) to high school sophomores and juniors from mentors, counselors, and volunteers, which would aid in the students' financial decision-making around postsecondary education and life.
- Technology to assess the postsecondary aspirations of these students and measure their success as they progress through the college process.
- Success measured against a variety of factors, including enrollment levels in college, graduation rates, debt acquired, debt default rates, and initial employment.

Over the next several months, the Working Group plans to develop a formal “blueprint” that identifies specific aspects of the pilot program design that could use the postsecondary decision making moment to provide young people with mentoring, information, and decision making tools. The blueprint would identify needed and appropriate roles for different influencers, including schools and school districts, corporate and philanthropic supporters, and local and state governments.

Background Issues or Explanations

Research shows that attaining a postsecondary degree is an important road to greater lifetime income and economic stability. While the return to additional education is generally strong, many are not obtaining those returns, particularly among low-and moderate-income students.

Helping students find programs and degrees that put them on track to meet their goals will result in increased value of the investment in education or training. The benefit of these better choices accrues to students, their families and communities, the institutions, and ultimately, to our whole economy. To face this challenge, leaders from a variety of sectors—higher education, business, government, technology, philanthropy, and non-profit—are creating better pathways to enable more students to explore the public investment of a postsecondary degree, and effectively build savings for postsecondary education, make sound choices about their education, and effectively manage debt, while building financial independence and autonomy.

Financial Education for Children (K-12) Working Group

The K-12 working group was established to find ways to provide K-12 students high-quality financial education throughout their schooling. Chaired by Marc Morial, President and CEO of the National Urban League, the K-12 Working Group's goal is to create a framework - a roadmap - to guide teachers, districts, communities and organizations who are interested in implementing financial education to students.

The K-12 Working Group set forth five major initiatives to accomplish this goal: 1) draft a broad aspirational statement for financial capability efforts; 2) recommend best practices for effective financial capability programs; 3) recommend proven and promising financial capability programs and tools; 4) recommend effective evaluation standards to assess student knowledge; and 5) lay the groundwork for a teacher training demonstration project.

The K-12 Working Group is establishing a feedback loop with the public to ensure it has the most robust and informed information for its final recommendations. It will launch a social media campaign, using the members' personal and organizations' social media platforms to gather the information. The responses will be directed to a dedicated Department of Treasury email account: pacfcya@treasury.gov. The unique hashtag, #FinCap, and the trending hashtag, #financialeducation, will be used, as well.

The K-12 Working Group will develop a plan to share these recommendations with key stakeholders, including mayors, state education officials, funders and others and distribute it through various approaches, possibly including targeted webinars and public service announcements via You Tube. It also plans to convene educators, school policy makers and others in Maryland, a leader in implementing financial education statewide, with leaders of national teacher organizations and other key influencers. Hearing what works and what is needed on the ground will help inform policy makers and stakeholders who can more broadly share the lessons learned.

Broad Aspirational Statement for Financial Capability in Our Schools

The K-12 Working Group plans to release the following statement aspirational statement related to the role financial capability should play in our nation's schools:

All American children must be equipped with the knowledge and skills necessary to make smart decisions about their finances. This is a basic right that must be integrated throughout children's PreK-12 learning experience to assure that all youth in America have the tools necessary to make sound financial decisions that will allow them to pursue their dreams. Whatever their life's aspirations, whether college bound, career ready or thinking entrepreneurially, this knowledge will enable our young people to compete in a global economy and enhance our nation's economy.

Best Practices for Effective Financial Capability Programs

The K-12 Working Group will recommend best practices - a broad framework for teachers, districts, communities and organizations to assess the effectiveness of current financial capability programs or the effectiveness of those they may seek to create or implement. The group will

President's Council on Financial Capability for Young Americans

Reports Submitted by Council Working Groups (Subcommittees) to the Council – March 3, 2015

identify tested-resources, which may include the National Endowment for Financial Education's (NEFE) *5 Key Factors for Effective Financial Education* and the Consumer Financial Protection Bureau's (CFPB) *Financial Education Guidelines: A Resource for Selecting Criteria* and other public, non-profit and private resources.

The 5 Key Factors for Effective Financial Education

- Well-trained educator to facilitate learning;
- Vetted/evaluated program materials;
- Timely instruction;
- Relevant subject matter;
- Evidence of impact.

Financial Education Guidelines

- Supports effective teachers;
- Is accurate and well-represented;
- Covers core knowledge and skills in content standards; and
- Improves financial knowledge, skills and behavior.

Proven/ Promising Financial Capability Programs and Tools

The K-12 Working Group will recommend both proven and promising financial capability programs and tools that teachers, districts, communities and organizations can use to teach their students. The K-12 Working Group will identify various programs and tools for the following providers: 1) in-school; 2) community based; 3) public-private partnerships; and 4) technology based. In addition, the working group will also announce the National Endowment for Financial Education's (NEFE) and the University of Arizona's new financial capability resource for teachers, which will be described more in-depth by Ted Beck of NEFE at the March 3rd full Council meeting.

Effective Financial Capability Evaluation Standards to Assess Student Knowledge

The K-12 Working Group will recommend evaluation standards that teachers, districts, communities and organizations can use to assess students' knowledge of financial capability. The assessment will measure multiple types of information, including: 1) knowledge of personal finance topics; 2) financial management behavior; and 3) confidence in and the aspiration to manage finances.

Teacher Training Demonstration Project

In coordination with the Innovation and Technology Working Group, the K-12 Working Group is working to help launch a teacher training demonstration project. The goal of the program is to test the premise that teachers would be more apt to integrate financial capability into students' core subjects, such as Social Studies and English, if they had more opportunities to become financial capable.